

U.S. Department of Labor

Employment and Training Administration
200 Constitution Avenue, N.W.
Washington, D.C. 20210



March 8, 2011

Catherine Lang
Commissioner
State of Nebraska
Department of Labor
550 South 16th Street
P.O. Box 94600
Lincoln, NE 68509-4600

Grant Numbers: [UI-18034-09-55, UI-16760-08-55] - UI
[AA-18655-09-55, AA-17135-08-55] - WIA
[ES-19216-09-55, ES-17575-08-55] - WP

Dear Ms. Lang:

This letter is sent to you as the designated signatory official for the grants referenced above. ETA grant programs, including ARRA funded activities, currently represent approximately \$71,655,772 in formula funds that are available for the State of Nebraska and administered by the Nebraska Department of Labor (NE DOL).

Due to our continuing concerns as noted in the 2009 Single Audit report, the 2008 Single Audit that incorporated the results of the 2008 Special Evaluation, and the ETA on-site follow-up monitoring reviews, we believe the conditions of 29 CFR 97.12(a) have been met and are declaring the State to be a high-risk grantee in accordance with those provisions.

The State has not taken the necessary action to resolve the eleven material findings noted in the Audit Report (24-09-553-03-001) that incorporated the findings of the 2008 Special Evaluation; all of these findings remain uncorrected as of this date. Ten of the eleven findings also are repeated in the Single Audit for the fiscal year ending June 30, 2009, and addressed in our Final Determination for audit number 24-10-554-03-001, which was issued on February 11, 2011. These audit findings reveal serious financial management deficiencies that have a material impact on the accuracy and reliability of the reports of financial activity being reported by NE DOL on the ETA 9130 reports.

ETA's Chicago Regional Office also conducted two on-site monitoring visits, one on February 22-26, 2010, and another on November 17-19, 2010, to review the status of the NE DOL's efforts to correct these unresolved audit findings. In addition, the NE DOL also visited the Chicago Regional Office on May 27, 2010, to provide information regarding corrective action.

During the November 2010 on-site review, Regional staff determined that NE DOL had not resolved any of the open audit findings and in addition, found material errors in the submission of the September 30, 2010, quarterly ETA-9130 reports for the Wagner-Peyser program funded under the American Recovery and Reinvestment Act (ARRA) and for the Wagner-Peyser Reemployment Services program funded under the ARRA. The corrected reports resulted in the loss of \$432,032 and \$749,290 respectively for a total loss of \$1,181,322. These funds are now subject to de-obligation in accordance with ARRA requirements.

The Regional Office's comprehensive review of ETA programs beginning the week of March 7, 2011 will update the status of actions taken to resolve these material financial findings. Accordingly, any findings from that monitoring review will be added to the unresolved audit findings and must be addressed as part of any corrective action.

In accordance with 29 CFR 97.12, ETA is imposing the following sanctions:

- NE DOL must provide a detailed corrective action plan for approval by ETA that fully addresses all open single audit findings within 30 days of receipt of this letter. The plan shall contain the following elements:
 - Audit No., Finding, Description;
 - Specific activities or action that will correct the deficiency;
 - Monthly benchmarks for each course of action;
 - Proposed time frame to fully resolve the deficiency;
 - Documentation requirements which will demonstrate correction and compliance, including documentation to support the preparation of required financial reports (the ETA 9130) from the official books of account.
- At the end of each month, and until all findings are resolved, NE DOL shall submit a monthly progress report to the Regional Office on actions taken and benchmarks accomplished for each course of corrective action. This monthly report shall also include a reconciliation of cumulative cash drawdowns, cash disbursements, and remaining cash balances for each active subaccount in the Payment Management System (PMS).
- In addition, ETA reserves the right to require the submission of summary ledgers and any additional financial information that support the summary accounting ledgers and the ETA 9130 reports.

Upon receipt of the corrective action plan, ETA reserves the right to approve or disapprove the corrective action plan and include additional requirements in the plan to ensure full resolution of the audit findings, resolution of any additional findings arising from the comprehensive review, and adherence to established timeframes. The corrective action plan and related requirements apply only to funds managed and expended directly by NE DOL. NE DOL shall not place corresponding restrictions on funds that pass thru NE DOL to the WIA local workforce areas.

Failure to comply with the terms and conditions attached to this high risk designation may result in additional sanctions, including but not limited to restrictions on cash drawdowns and

disallowance of costs.

If you have any questions, do not hesitate to contact me or Byron Zuidema, Regional Administrator, and his staff in the Chicago Regional Office at 312-596-5403.

Sincerely,

A handwritten signature in black ink that reads "B. Jai Johnson". The signature is written in a cursive, flowing style with a large initial "B" and a stylized "Jai".

B. Jai Johnson
Grant Officer

cc: Byron Zuidema